

Message Text

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ACTION NEA-10

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FM AMEMBASSY TUNIS
TO SECSTATE WASHDC 7096

C O N F I D E N T I A L SECTION 1 OF 2 TUNIS 4125

FROM AMBASSADOR FOR ATHERTON, NEA AND WHEELER, AA/NE

E.O. 11652: GDS
TAGS: EAID, TS, US
SUBJECT: TUNISIAN DEVELOPMENT CONFERENCE: POLICY
RECOMMENDATIONS

REF: TUNIS 4063

1. IN SEPTEMBER AND OCTOBER OF LAST YEAR, WHILE PREPARING FOR THE U.S.-TUNISIA JOINT COMMISSION, A USEFUL DIALOGUE TOOK PLACE BETWEEN WASHINGTON AND THE FIELD FROM WHICH WE CONSTRUCTED A SOUND POSITION VIS-A-VIS OUR ASSISTANCE PROGRAM IN TUNISIA. DURING THE JOINT COMMISSION ITSELF WE TOLD THE GOT THAT WE WOULD BE AT THEIR SIDELTHROUGH THE COURSE OF THEIR AMBITIOUS BUT WELL-CONCEIVED PLAN FOR THE NEXT FIVE YEARS. WE HAVE BEEN HARD AT WORK DEVELOPING PROGRAMS AND PROJECTS WHICH FIT BOTH OUR ASSISTANCE DIRECTIVES AND TUNISIA'S NEEDS. AT THE RECENT ABS REVIEW I NOTICED A GENERAL DESIRE TO CONTINUE U.S. ASSISTANCE TO TUNISIA AND TO AVOID ARTIFICIALLY COMPRESSING OUR PROGRAM INTO A PREDETERMINED TIME FRAME. THIS MISSION IS ALSO CHALLENGED TO DEVELOP A PROGRAM FOR TUNISIA WHICH CAN HELP IN THE DESIGN OF AN OVER-ALL APPROACH TO USG ASSISTANCE TO
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INTERMEDIATE INCOME COUNTRIES. WE ARE TRADITIONALLY TUNISIA'S BELLWETHER DONOR, AND I BELIEVE WE ARE CALLED UPON TO DEVELOP A POSITION FOR THE UPCOMING DEVELOPMENT CONFERENCE WHICH FULFILLS OUR PLEDGE TO ASSIST THE TUNISIANS THROUGH THE 5TH PLAN AND WHICH INSPIRES, OR AT LEAST ENCOURAGES, OTHER DONORS TO REACH DEEPER INTO THEIR POCKETS.

2. OUR BASIC POSTURE AT THE CONFERENCE SHOULD BE TO ENDORSE THE OBJECTIVES OF THE FIVE-YEAR PLAN, WHICH WAS JUST YESTERDAY ADOPTED BY THE COUNCIL OF MINISTERS, AND CLEARLY TO ASSOCIATE OUR ASSISTANCE WITH IT, EVEN IF WE CANNOT PROVIDE THE KIND OF SPECIFIC MULTIYEAR COMMITMENT WHICH TUNISIA WOULD LIKE TO SEE US MAKE. AT THE SAME TIME WE SHOULD TAKE THE OPPORTUNITY TO ASSOCIATE OURSELVES WITH THE WORLD BANK'S ANALYSIS POINTING TO LONG-TERM POLICY CONCERNS WHICH ARE IN THE TUNISIANS' INTEREST TO ADDRESS AND RESOLVE. WE CAN PLAY A CONSTRUCTIVE ROLE IN SHOWING OUR INTENTIONS WITH REGARD TO CONTINUED AID PRESENCE WITH HIGHER LEVELS OF FINANCIAL RESOURCE TRANSFERS THAN IN THE RECENT PAST AND ON RELATIVELY LESS HARD TERMS THAN SOME OTHER DONORS.

3. ACCORDINGLY, IN THE COURSE OF THIS CONVERENCE THROUGH THE FORMAL STATEMENTS BY OUR DELEGATWON AND IN INFORMAL DISCUSSION WITH TUNISIANS AND OTHER DONOR REPRESEENTATIVES, WE SHOULD TAKE THE OPPORTUNITY TO MAKE THE FOLLOWING ESSENTIAL POINTS: A) WE SUPPORT THE BASIC OBJECTIVES OF THE PLAN, PARTICULARLY ITS EMPHASIS ON EMPLOYMENT CREATION, AGRICULTURAL PRODUCTION AND SOCIAL WELFARE OBJECTIVES-- INCLUDING A STRONG FAMILY PLANNING EFFORT, WHICH ADDRESSES PROBLEMS OF DISADVANTAGED SEGMENTS OF THE POPULATION. WITH APPROPRIATE CAVEATS REGARDING AVAILABILITY OF FUNDS AND OUR OWN POLICY GUIDELINES, WE WILL TO THE GREATEST EXTENT POSSIBLE GEAR OUR AID TO PLAN OBJECTIVES AND WE EXPECT TO REMAIN ACTIVELY ENGAGED THROUGHOUT THE PERIOD OF THE PLAN. B) OUR AID IN THE RECENT PAST HAS CONCENTRATED ON AGRICUL-
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TURE, RURAL DEVELOPMENT, HEALTH, AND FAMILY PLANNING. WE WILL CONTINUE TO SUPPORT TUNISIAN DEVELOPMENT PROGRAMS IN THESE SECTORS AND, IN ADDITION, WILL EXPLOIT THE OPPORTUNITIES WHICH EXIST FOR MEANINGFUL TRANSFER OF TECHNOLOGY THROUGH A SCIENCE AND TECHNOLOGY PROJECT INCLUDING TRAINING.

4. WE ANTICIPATE THAT MANY OF THE DONORS REPRESENTED AT THE DEVELOPMENT CONFERENCE WILL PUBLICLY ENDORSE AND ASSOCIATE THEMSELVES WITH THE WORLD BANK'S ANALYSIS OF TUNISIAN ECONOMIC PERFORMANCE AND PROSPECTS FOR THE FIFTH PLAN. INASMUCH AS WE BASICALLY CONCUR WITH THEIS ANALYSIS, WE SHOULD EXPRESS OUR WISH THAT THE GOT CAREFULLY STUDY THE RECOMMENDATIONS OF THE BANK AND WE SHOULD SINGLE OUT THE FOLLOWING AREAS FOR COMMENTARY: A) WHILE RECOGNIZING THAT THE GOT PRICE POLICY IS TIED UP WITH FUNDAMENTAL QUESTIONS OF THE TUNISIAN PHILOSOPHY OF GOVERNMENT AND SOCIAL WELFARE, IT IS CLEAR (AS THE BANK HAS POINTED OUT) THAT TUNISIA CANNOT INCREASE ITS AGRICULTURAL AND

INDUSTRIAL PRODUCTION THROUGH PRIVATE INVESTMENT UNLESS THERE ARE INCENTIVES TO PRODUCERS TO EXPAND THEIR PRODUCTION IN THE SHORT TERM, AS WELL AS SURPLUSES AVAILABLE FOR REINVESTMENT. B) BELIEVING THE TUNISIAN GOVERNMENT HAS SHOWN AN UNDERSTANDING OF THE NEED TO RATIONALIZE CREDIT POLICIES, WE ARE PLANNING, AS ARE OTHER DONORS, EXPANDED ASSISTANCE TO CREDIT PROGRAMS FOR SMALL FARMERS. C) WE AGREE ALSO WITH THE BANK'S EMPHASIS ON THE NEED TO IMPROVE PRODUCTION IN IRRIGATED PERIMETERS, WHICH REPRESENT A GREATLY UNDERUTILIZED INVESTMENT. THE EXPANSION OF USE OF HIGH-YIELDING CEREAL VARIETIES AND FERTILIZERS--THROUGH ASSOCIATED CREDIT EXTENSION AND RESEARCH--HAS BEEN DISAPPOINTEINGLY SLOW, YET THE PAYOFF TO AGRICULTURAL PRODUCTION CAN BE VERY GREAT. D) WE BELIEVE THE BANK'S ANALYSIS HAS CORRECTLY STRESSED THE INESCAPABLE NEED FOR BETTER HOUSING FOR THE URBAN POOR. HERE, AS IN OTHER SECTORS, WE HAVE BEEN CONFIDENTIAL

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MAKING AVAILABLE U.S. RESOURCES TO SUPPORT TUNISIAN OBJECTIVES. WE ARE HOPEFUL THAT IN COMING YEARS WE WILL BE ABLE TO AUTHORIZE SIGNIFICANT ADDITIONAL AMOUNTS OF GUARANTEED INVESTMENT RESOURCES IN THE HOUSING SECTOR BASED ON FURTHER PROGRESS BY THE GOT IN REDUCING THE COST OF PUBLIC HOUSING TO MAKE IT MORE ACCESSIBLE TO THE URBAN AND RURAL POOR. E) TUNISIA HAS MADE MUCH PROGRASS IN INDUSTRIALIZATION. IT IS TIME, NOW, IN THE CONTEXT OF THE FIFTH PLAN'S INVESTMENT AND EMPLOYMENT CREATION TARGETS, TO PURSUE VIGOROUSLY THE DEVELOPMENT OF SMALL INDUSTRY. WE WISH TO ASSOCIATE OURSELVES FULLY WITH THE BANK'S RECOMMENDATIONS FOR THIS SECTOR AND HOPE TO PROVIDE SOME SUPPORT AS WELL. F) IN REGARD TO RURAL DEVELOPMENT, THE GOT SHOULD BE ENCOURAGED TO REVIEW CAREFULLY THE BANK REPORT'S ANALYSIS CONCERNING THE NEED FOR A COHERENT AND COORDINATED RURAL DEVELOPMENT POLICY TO MORE EFFECTIVELY ALLOCATE RESOURCES MORE EFFECTIVELY INFO DEPRIVED AREAS, REDRESSING THE MARKED DISPARITIES WHICH NOW EXIST.

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INFO OCT-01 ISO-00 AID-05 EB-07 IGA-02 SS-15 SP-02
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TO SECSTATE WASHDC 7097

C O N F I D E N T I A L SECTION 2 OF 2 TUNIS 4125

FROM AMBASSADOR FOR ATHERTON, NEA AND WHEELER, AA/NE

5. TUNISIA NOW HAS A VERY FAVORABLE DEBT STRUCTURE AND DEBT SERVICE RATIO. THESE ARE REAL ASSETS WHEN LAUNCHING A PLAN INVOLVING INVESTMENT AND FOREIGN FINANCING OF THE MAGNITUDE PROPOSED. IT IS ESSENTIAL TO POINT OUT, HOWEVER, THAT GIVEN THE PROGRAMMED VOLUME OF RESOURCE TRANSFER WITH A DECLINING GRANT ELEMENT, THE DEBT SITUATION COULD DETERIORATE RAPIDLY. OUR CONCLUSION IS NOT THAT THE INVESTMENTS SHOULD BE SCALED BACK, BUT THAT TUNISIA MUST BECOME MORE CONSCIOUS OF THE NEED FOR EXPORTS AND FOREIGN EXCHANGE EARNINGS, REDOUBLING ITS EXPORT PROMOTION EFFORT. FOR DONORS, IT MEANS THAT TERMS SHOULD NOT BE HARDENED FURTHER. WE SHOULD COMMEND THE GOT ON ITS PRUDENT DEBT MANAGEMENT POLICY WHILE CAUTIONING THAT TUNISIA'S CREDIT RATING MUST REMAIN IMPECCABLE TO MOBILIZE THE COMMERCIAL BORROWING NEEDED FOR THE FIFTH PLAN.

6. USAID DIRECTOR DAVIS AND I ARE PARTICULARLY CONSCIOUS OF THE IMPORTANCE THE GOT IS ATTACHING TO THIS DEVELOPMENT CONFERENCE. THIS MESSAGE REFLECTS A COUNTRY TEAM PERSPECTIVE, WITH A VIEW TO ASSISTING IN THE WASHINGTON PERPARATIONS AND BRIEFINGS FOR THE MEETING. IN SUM, WE BELIEVE THE U.S. CAN PLAY A USEFUL AND CONSTRUCTIVE ROLE AT THIS CONFERENCE AND CAN EXERT A POSITIVE INFLUENCE
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WELL BEYOND THE DOLLAR VOLUME OF OUR OWN ASSISTANCE PROGRAM. THIS ATTITUDE SHOULD BE THE GUIDING PRINCIPLE IN DEVELOPING THE USG POSITION FOR THE CONFERENCE.
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